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MARKETING and TRANSPORTATION SITUATION



MAY 21 1968

MTS-169

CURRENT SERIAL RECORDS

MAY 1968

The retail value of food consumed away from home in 1965 is estimated at around \$28 billion. Public eating places represent two-thirds of this major market for the products of U.S. farms.

Until recently, there has been little attempt to define the structure of the market, examine its requirements, or analyze its performance. However, findings from the first part of a nationwide survey of the food service industry are now available. They identify the structure of this market and the economic and physical characteristics of the establishments that comprise it. Some of the findings are summarized in this issue.

MARKET FOR FOOD AWAY FROM HOME, UNITED STATES, 1965

PUBLIC EATING PLACES \$18.5 BIL.

Separate eating places
Separate drinking places
Drug or proprietary stores
Retail stores
Hotels, motels, and tourist courts
Recreation or amusement places
Civic, social, or fraternal associations
Factories, plants, and mills
Other public eating places

INSTITUTIONS \$9.5 BIL.

Hospitals
Sanatoria, convalescent and rest homes
Homes for children, aged, and mentally ill
Schools and colleges
Military services
Other institutions

ESTIMATED RETAIL VALUE OF FOOD AND NONALCOHOLIC BEVERAGES SERVED.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 5639-68 (4) ECONOMIC RESEARCH SERVICE

IN THIS ISSUE

- Dimensions of the Food Service Industry
- Contract Arrangements in the Poultry Industry
- Net Income of Leading Corporations Marketing Farm Products, 1966-67

Published Quarterly by
ECONOMIC RESEARCH SERVICE

U.S. DEPARTMENT OF AGRICULTURE

STATISTICAL SUMMARY OF MARKET INFORMATION

Item	Unit or base period	1967				1968
		Year	Jan.- Mar.	July- Sept.	Oct.- Dec.	Jan.- Mar.
<u>Farm-to-retail price spreads</u>						
Farm-food market basket: <u>1/</u>						
Retail cost	Dol.	1,081	1,076	1,092	1,083	1,101
Farm value	Dol.	413	414	426	406	424
Farm-retail spread	Dol.	668	662	666	677	677
Farmer's share of retail cost	Pct.	38	38	39	37	39
Cotton: <u>2/</u>						
Retail cost	Dol.	---	---	---	---	---
Farm value	Dol.	---	---	---	---	---
Farm-retail spread	Dol.	---	---	---	---	---
Farmer's share of retail cost	Pct.	---	---	---	---	---
<u>General economic indicators</u>						
Consumers' per capita income and expenditures: <u>3/</u>						
Disposable personal income	Dol.	2,735	2,686	2,749	2,789	2,852
Expenditures for goods and services	Dol.	2,469	2,421	2,484	2,509	2,583
Expenditures for food	Dol.	484	480	484	488	502
Expenditures for food as percentage of disposable income	Pct.	17.7	17.9	17.6	17.5	17.6
			1967		1968	
		Year	Mar.	Jan.	Feb.	Mar.
Hourly earnings of employees, private sector <u>4/</u>	Dol.	2.67	2.62	2.74	2.76	2.77
Hourly earnings of food marketing employees <u>5/</u>	Dol.	2.51	2.50	2.61	2.63	---
Retail sales: <u>6/</u>						
Food stores	Mil. dol.	6,011	6,041	6,249	6,191	---
Apparel stores	Mil. dol.	1,509	1,443	1,548	1,588	---
Manufacturers' inventories: <u>6/</u>						
Food and kindred products	Mil. dol.	6,561	6,669	6,755	6,743	6,829
Textile mill products	Mil. dol.	3,169	3,078	3,239	3,281	3,333
Tobacco products	Mil. dol.	2,392	2,389	2,408	2,383	2,399
Indexes of industrial production: <u>7/</u>						
Food manufactures	:1957-59=100	130.1	129.7	131.5	130.6	---
Textile mill products	:1957-59=100	142.2	138.8	147.6	148.7	---
Apparel products	:1957-59=100	147.7	143.6	145.0	---	---
Tobacco products	:1957-59=100	120.0	116.2	113.5	---	---
Index of physical volume of farm marketings	:1957-59=100	124	100	135	95	---
<u>Price indexes</u>						
Consumer price index <u>8/</u>	:1957-59=100	116.3	115.0	118.6	119.0	119.5
Wholesale prices of food <u>9/</u>	:1957-59=100	108.6	107.3	109.5	111.1	111.0
Wholesale prices of cotton products <u>8/</u>	:1957-59=100	100.7	101.3	105.2	105.0	105.0
Wholesale prices of woolen products <u>8/</u>	:1957-59=100	103.2	104.0	102.3	102.8	103.1
Prices received by farmers	:1957-59=100	104	103	105	107	107
Prices paid by farmers, interest, taxes, and wage: rates	:1957-59=100	117	116	118	119	120

1/ Contains average quantities of farm-originated foods purchased annually per household in 1960-61 by wage-earner and clerical-worker families and single workers living alone. Estimates of the farmer's share do not allow for direct Federal payments to producers, except for the value of wheat marketing certificates. 2/ Data will not be published until revisions have been completed. 3/ Seasonally adjusted annual rates, calculated from Dept. of Commerce data. Percentages have been calculated from total income and expenditure data. 4/ Average hourly earnings of production workers in mining and manufacturing; construction workers in contract construction; nonsupervisory workers in wholesale and retail trade, finance, insurance, real estate, transportation, public utilities and services, Dept. of Labor. 5/ Weighted composite earnings in food processing, wholesale trade, retail food stores, calculated from data of Dept. of Labor. 6/ Seasonally adjusted, Dept. of Commerce. Sales data for 1967 are averages of monthly totals (unadjusted). Inventory data for 1967 are book values at end of year (adjusted). 7/ Seasonally adjusted, Board of Governors of Federal Reserve System. 8/ Dept. of Labor. 9/ Fresh and dried fruits and vegetables, eggs, and processed foods; Dept. of Labor.

MARKETING AND TRANSPORTATION SITUATION

Approved by the Outlook and Situation Board, May 8, 1968

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SUMMARY*

The retail cost of the market basket of farm foods was about 2 percent higher in the first quarter this year than in either the preceding quarter or the first quarter last year. Prices for most items in the market basket rose.

Prices received by farmers for products in the market basket averaged 4 percent higher in January-March than in the fall. Returns to farmers increased for most market basket products.

Farm-level prices for foods in the market basket were up about 2 percent from a year earlier during the first quarter. Sharp increases for most fruits and vegetables contributed significantly to this rise. However, the farm value of eggs, wheat, potatoes, and soybeans were lower in the first quarter of 1968 than a year earlier.

The spread between the retail cost and the farm value of farm-originated foods averaged about the same in the first quarter of 1968 as in the previous quarter. However, compared to a year earlier, spreads in the first quarter averaged about 2 percent wider. Widening spreads for frying chickens, eggs, and fresh fruits and vegetables accounted for most of the increase.

Farmers received an average of 38 cents of the dollar consumers spent for farm foods in the first quarter. This was 1 cent more than in the previous quarter, but the same as a year earlier.

Farm value and retail cost of farm foods are expected to rise further in coming months and continue above year-earlier levels. Marketing spreads also are expected to widen during the remainder of the year.

* The summary of this report and a summary table were released to the press on May 8, 1968.

FARM-FOOD MARKET BASKET STATISTICS

Retail Cost Rose in First Quarter 1968

The retail cost of farm foods rose during the first 3 months of 1968, continuing an upward trend from last November (table 1). The retail cost of the market basket of farm foods ^{1/} averaged \$1,101 (annual rate) in the first quarter of 1968--up almost 2 percent from the previous quarter. This raised the retail cost of the market basket to within 1 percent of the record high reached in the third quarter of 1966.

The increase in retail cost from the fourth quarter 1967 to the first quarter in 1968 was not evenly distributed among product groups. Fresh and processed fruits and vegetables accounted for about four-fifths of the total increase.

Most product groups were higher in the first quarter of 1968 than a year ago. The retail cost of fresh fruits was up 20 percent and fresh vegetables, 9 percent. Both gains reflected smaller crops. Eggs were significantly lower than a year ago. Overall, the retail cost of the market basket was up 2 percent from a year ago.

Farm Value of Market Basket Foods Also Rose in First Quarter 1968

The total farm value of products in the market basket has also increased each month since November 1967. It averaged \$424 in the first quarter this year--up more than 4 percent from the previous quarter (table 2). Farm values increased sharply for frying chickens, many fresh fruits and vegetables, and oranges for processing. Potatoes and eggs were major market basket products with lower farm values.

Compared with a year earlier, the first quarter farm value of the market basket was up about 2 percent. Farmers received higher returns for a number of products, especially beef cattle (table 3) and many fresh and processed fruits and vegetables. Farm prices averaged lower for hogs, chickens, eggs, potatoes, wheat and soybeans.

Although the farm value of the market basket in the first quarter of 1968 was up from a year earlier, it was 7 percent below the first quarter of 1966, when farm prices were at the highest level in recent years.

Marketing Spreads Unchanged From Previous Quarter's Record

The spread between the retail cost and the farm value of the market basket foods averaged \$677 (annual rate) in the first quarter of 1968. This was about the same as the record rate of the previous quarter (table 2). However, marketing spreads declined in both February and March.

Compared with a year earlier, the first quarter spread for market basket foods was about 2 percent wider. The spread for each product group except fats and oils was wider. Increases were particularly significant for frying chickens, eggs, and fresh fruits and vegetables.

Farmer's Share Averages 38 Cents

Farmers received an average of 38 cents of the dollar consumers spent for domestic farm foods in retail stores during the first quarter. This was up 1 cent from the preceding quarter but was the same as a year earlier. The first quarter share increased because prices received by farmers rose at a more rapid

^{1/} The market basket is the average quantity of domestic farm-originated food products purchased annually per household in 1960 and 1961 by wage-earner and clerical-worker families and single workers living alone. Its retail value is calculated from retail prices published by the Bureau of Labor Statistics. The retail cost of the market basket is less than the cost of all foods bought per household, since it does not include the cost of meals in eating places, imported foods, seafoods, or other foods of nonfarm origin. The farm value is the return to farmers for the farm products equivalent to foods in the market basket. The farm-retail spread is the difference between the retail cost and farm value. It is an estimate of total gross margin received by marketing firms for assembling, processing, transporting, and distributing the products in the market basket.

Table 1.--The market basket of farm foods: Retail cost, farm value, farm-retail spread, and farmer's share of retail cost, averages 1947-49 and 1957-59 annual 1957-67, monthly 1967-68 1/

Year and month	Retail cost	Farm value	Farm-retail spread	Farmer's share
	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Percent</u>
Average:				
1947-49	890	441	449	50
1957-59	983	388	595	39
1957	953	380	573	40
1958	1,009	407	602	40
1959	985	377	608	38
1960	991	383	608	39
1961	997	380	617	38
1962	1,006	384	622	38
1963	1,013	374	639	37
1964	1,013	374	639	37
1965	1,038	408	630	39
1966	1,095	443	652	40
1967 <u>2/</u>	1,081	413	668	38
<u>1967 2/ 3/</u>				
January	1,083	418	665	39
February	1,074	413	661	38
March	1,069	411	658	38
April	1,063	399	664	38
May	1,064	399	665	38
June	1,080	425	655	39
July	1,091	433	658	40
August	1,098	428	670	39
September	1,088	417	671	38
October	1,083	409	674	38
November	1,080	400	680	37
December	1,086	408	678	38
<u>1968 2/ 3/</u>				
January	1,098	417	681	38
February	1,100	424	676	39
March	1,105	431	674	39

1/ Data for earlier years are published in Farm-Retail Spreads for Food Products 1947-64, ERS-226, April 1965.

2/ Preliminary.

3/ Annual rates.

Table 2.--The market basket of farm foods: Retail cost, farm value, and farm-retail spread, January-March 1968, October-December 1967, and January-March 1967

Items	January-	October-	January-	Change: January-March 1968			
	March	December	March	from:			
	1968	1967	1967	October-December		January-March	
				1967		1967	
	Dollars	Dollars	Dollars	Dollars	Percent	Dollars	Percent
	Retail cost 1/						
Market basket	1,100.93	1,083.20	1,075.61	17.73	2	25.32	2
Meat products	320.36	320.42	313.61	-0.06	2/	6.75	2
Dairy products	198.72	197.17	195.17	1.55	1	3.55	2
Poultry	47.05	45.06	46.30	1.99	4	.75	2
Eggs	34.75	34.90	38.96	-15	2/	-4.21	-11
Bakery and cereal							
products	169.00	168.93	169.41	.07	2/	-.41	2/
Fresh fruits	49.20	45.41	41.00	3.79	8	8.20	20
Fresh vegetables ...	73.43	65.75	67.66	7.68	12	5.77	9
Processed fruits							
and vegetables	121.40	118.52	116.05	2.88	2	5.35	5
Fats and oils	38.23	38.38	39.46	-15	2/	-1.23	-3
Miscellaneous							
products	48.79	48.66	47.99	.13	2/	.80	2
	Farm value 3/						
Market basket	423.70	405.61	414.04	18.09	4	9.66	2
Meat products	165.84	160.98	160.67	4.86	3	5.17	3
Dairy products	94.65	94.23	92.80	.42	2/	1.85	2
Poultry	23.38	19.84	24.24	3.54	18	-.86	-4
Eggs	19.73	20.02	24.63	-.29	-1	-4.90	-20
Bakery and cereal							
products	34.02	33.49	36.34	.53	2	-2.32	-6
Fresh fruits	17.45	14.90	11.53	2.55	17	5.92	51
Fresh vegetables ...	25.23	20.60	21.90	4.63	22	3.33	15
Processed fruits							
and vegetables	23.50	22.18	21.27	1.32	6	2.23	10
Fats and oils	10.57	10.15	11.62	.42	4	-1.05	-9
Miscellaneous							
products	9.33	9.22	9.04	.11	1	.29	3
	Farm-retail spread						
Market basket	677.23	677.59	661.57	-.36	2/	15.66	2
Meat products	154.51	159.44	152.94	-4.93	-3	1.57	1
Dairy products	104.07	102.94	102.37	1.13	1	1.70	2
Poultry	23.67	25.22	22.06	-1.55	-6	1.61	7
Eggs	15.02	14.88	14.33	.14	1	.69	5
Bakery and cereal							
products	134.98	135.44	133.07	-.46	2/	1.91	1
Fresh fruits	31.75	30.51	29.47	1.24	4	2.28	8
Fresh vegetables ...	48.20	45.16	45.76	3.04	7	2.44	5
Processed fruits							
and vegetables	97.90	96.34	94.78	1.56	2	3.12	3
Fats and oils	27.66	28.23	27.84	-.57	-2	-.18	-1
Miscellaneous							
products	39.46	39.44	38.95	.02	2/	.51	1

^{1/} Retail cost of average quantities purchased annually per household in 1960-61 by urban wage-earner and clerical-worker families and single workers living alone, calculated from retail prices collected by the Bureau of Labor Statistics.

^{2/} Less than 0.5 percent.

^{3/} Payment to farmer for equivalent quantities of farm products minus imputed value of byproducts obtained in processing.

Table 3.--Beef, pork, and lamb: Retail price, wholesale value, farm value, farm-retail spread, and farmer's share of retail price, annual 1965-67, quarterly 1967-68

Date	Retail price	Wholesale	Gross	Byproduct	Net	Farm-retail spread			Farmer's share
	per pound 1/	value 2/	farm value 3/	allowance 4/	farm value 5/	Total	Wholesale- retail	Farm- wholesale	
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Percent
Beef, Choice grade									
1965	81.4	57.6	51.6	4.8	46.8	34.6	23.8	10.8	57
1966	84.3	58.9	55.5	5.9	49.6	34.7	25.4	9.3	59
1967	84.1	59.7	54.3	5.0	49.3	34.8	24.4	10.4	59
1967									
Jan.-Mar.	82.9	57.2	53.3	5.3	48.0	34.9	25.7	9.2	58
Apr.-June	82.5	58.2	53.0	5.0	48.0	34.5	24.3	10.2	58
July-Sept.	84.9	62.4	56.5	5.1	51.4	33.5	22.5	11.0	61
Oct.-Dec.	86.0	61.1	54.5	4.8	49.7	36.3	24.9	11.4	58
1968									
Jan.-Mar.	86.4	62.0	56.1	4.7	51.4	35.0	24.4	10.6	59
Apr.-June	---	---	---	---	---	---	---	---	---
July-Sept.	---	---	---	---	---	---	---	---	---
Oct.-Dec.	---	---	---	---	---	---	---	---	---
Pork									
1965	64.1	49.5	42.1	5.5	36.6	27.5	14.6	12.9	57
1966	73.4	54.8	47.6	6.4	41.2	32.2	18.6	13.6	56
1967	67.0	48.1	39.0	4.8	34.2	32.8	18.9	13.9	51
1967									
Jan.-Mar.	66.7	47.5	38.3	5.0	33.3	33.4	19.2	14.2	50
Apr.-June	65.5	47.1	38.5	4.9	33.6	31.9	18.4	13.5	51
July-Sept.	69.4	51.4	43.0	4.9	38.1	31.3	18.0	13.3	55
Oct.-Dec.	66.5	46.5	36.1	4.2	31.9	34.6	20.0	14.6	48
1968									
Jan.-Mar.	66.1	47.0	36.7	4.3	32.4	33.7	19.1	14.6	49
Apr.-June	---	---	---	---	---	---	---	---	---
July-Sept.	---	---	---	---	---	---	---	---	---
Oct.-Dec.	---	---	---	---	---	---	---	---	---
Lamb, Choice grade									
1965	79.1	58.4	53.4	8.0	45.4	33.7	20.7	13.0	57
1966	85.6	59.8	55.5	8.4	47.1	38.5	25.8	12.7	55
1967	87.1	60.7	52.4	5.7	46.7	40.4	26.4	14.0	54
1967									
Jan.-Mar.	83.6	55.8	48.9	6.3	42.6	41.0	27.8	13.2	51
Apr.-June	85.3	62.1	54.9	6.2	48.7	36.6	23.2	13.4	57
July-Sept.	89.7	64.0	53.7	4.8	48.9	40.8	25.7	15.1	55
Oct.-Dec.	89.9	60.8	51.9	5.3	46.6	43.3	29.1	14.2	52
1968									
Jan.-Mar.	90.4	62.4	54.6	6.3	48.3	42.1	28.0	14.1	53
Apr.-June	---	---	---	---	---	---	---	---	---
July-Sept.	---	---	---	---	---	---	---	---	---
Oct.-Dec.	---	---	---	---	---	---	---	---	---

1/ Estimated weighted average price of retail cuts. 2/ Wholesale value of quantity of carcass equivalent to 1 lb. of retail cuts: Beef, 1.35 lb.; pork, 1.00 lb.; lamb, 1.14 lb. 3/ Payment to farmer for quantity of live animal equivalent to 1 lb. of retail cuts: Beef, 2.25 lb.; pork 2.00 lb.; lamb, quantity varies by months from 2.33 lb. in April to 2.38 lb. in October. 4/ Portion of gross farm value attributed to edible and inedible byproduct. 5/ Gross farm value minus byproduct allowance.

rate than retail prices. So far in the 1960s, the quarterly average of the farmer's share has varied from 36 to 42 cents, although it was 37 to 39 cents in most quarters.

How Some Commodities Fared

Prices of Frying Chickens up Sharply from Record Low Level: With decreased slaughter in the first quarter, farm prices of frying chicken increased 21 percent from the record low level of the fourth quarter of 1967. Even with this large increase, prices in the first quarter of 1968 were below those of a year earlier. However, the increase in farm prices was greater than the increase in retail prices. As a result, the farm-retail spread decreased about 7 percent, after widening in each quarter last year.

Prices and Marketing Spreads of Most Fresh Fruits and Vegetables Rise: Because of reduced supplies, farm-level prices for most fresh fruits and vegetables in the first quarter rose significantly--20 percent from the previous quarter and 28 percent from a year earlier. Prices received by farmers increased for all fresh fruits and vegetables in the market basket, except those for potatoes and green peppers. As often happens with fresh produce, farm-retail spreads widened as farm prices rose.

Large stocks of late-crop potatoes depressed prices in the first quarter of this year. Consumers paid 68.5 cents per 10 pounds of potatoes in the first quarter--6.9 cents less than a year earlier. Returns for an equivalent quantity at the farm level averaged 16.3 cents--down 6.8 cents from the first quarter of 1967. Since prices declined by almost the same amount at both levels, the farm-retail spread averaged about the same as a year earlier (table 8 , p. 23).

Marketing Spreads Widen for Processed Fruits and Vegetables: Retail prices of all processed fruits and vegetables in the market basket averaged 2 percent higher in the first quarter this year than in the preceding quarter. Prices of all except frozen orange concentrate averaged higher than a year earlier (table 7 , p. 22).

The total farm value of these processed products averaged about 6 percent higher than in the previous quarter and 10 percent above last winter. Sharply higher prices for oranges for processing accounted for most of the increase from the previous quarter. Significantly higher farm values for canned peaches, pears, and tomatoes accounted for much of the rise from a year earlier. The farm value for frozen french fried potatoes declined sharply from the previous quarter and a year earlier.

First quarter marketing spreads for processed fruits and vegetables averaged about 2 percent wider than in the fall. They were about 3 percent wider than a year earlier. Spreads were wider for most items in the group.

Outlook for Remainder of 1968

With continued advance in consumer demand, the retail cost of the market basket of farm foods is expected to rise into the summer and continue above the year-earlier levels. Because of smaller per capita supplies, returns to farmers for these foods are also expected to average moderately above a year ago. Marketing spreads are expected to widen during the remainder of the year as a result of rising costs of labor and other inputs.

NET INCOME OF LEADING CORPORATIONS MARKETING FARM PRODUCTS, 1966 AND 1967

Corporations marketing agricultural products include food manufacturers, retail food stores, and selected nonfood industries such as the brewing, tobacco, and textile industries.

Net income (profits after taxes) of 153 food manufacturing corporations was 3.1 percent higher in 1967 than in 1966, according to data compiled by the First National City Bank of New York (table 4).

Table 4.--Net income of leading corporations marketing agricultural products, 1967 and 1966

Industrial groups	: Number : : of : : corpor- : ations :	Reported net income after taxes					
		Total		As percentage : of net assets 1/:		As percentage : of sales 2/:	
		1967	1966	1967	1966	1967	1966
		1,000	1,000				
		dol.	dol.	Pct.	Pct.	Pct.	Pct.
Manufacturing:							
Food							
Baking	15	96,188	84,521	15.0	13.9	3.3	3.0
Dairy products	11	215,756	209,984	11.8	12.6	3.2	3.3
Meatpacking	25	85,091	56,641	7.9	5.2	1.0	.6
Sugar	15	49,811	44,601	9.9	9.1	3.5	3.3
Other food products ...	87	621,018	639,871	12.1	13.3	3.9	4.3
Total	153	1,067,864	1,035,618	---	---	---	---
Other							
Brewing	13	88,464	84,888	13.0	13.4	5.6	5.8
Distilling	11	186,455	176,509	10.4	10.4	4.7	4.7
Tobacco products	12	355,269	326,058	14.7	13.9	5.8	5.7
Textile products	67	278,038	376,090	8.3	12.3	3.6	4.8
Clothing and apparel ...	81	185,621	187,943	13.9	16.2	3.9	4.2
All industries	2,292	23,307,498	24,429,155	12.5	14.2	5.7	6.3
Distributing:							
Chain food stores	61	314,298	333,143	11.0	12.3	1.1	1.3
Department and specialty stores	69	480,342	460,776	13.2	13.8	3.0	3.1
All trade	395	1,920,676	1,840,521	13.1	13.7	2.5	2.6

1/ Book net assets at the beginning of the year are based on the excess of total balance-sheet assets over liabilities.

2/ Includes income from investments and other sources as well as from sales.

Compiled from Monthly Economic Letter, published by the First National City Bank, New York, April 1968.

By comparison, the net income of leading corporations in all manufacturing industries declined 4.6 percent. The increase in net income of food manufacturers was due in part to an increase in the percentage margin on sales in the baking, meatpacking and sugar industries.

Total net income for 25 leading meatpackers rose 50 percent in 1967--far more than any other industry marketing farm products. Meatpackers' margin as a percent of sales rose from 0.6 percent in 1966 to 1.0 in 1967. During the 1960s, meatpackers' margins on sales have ranged between 0.6 and 0.8 percent with the exception of a 1.1 percent rate in 1964. The 1967 increase in meatpackers' net income as a percentage of sales coincided with an increase in livestock supplies, and a decline in farm and retail prices of livestock products in 1967. A constant dollar margin per head of livestock slaughtered, in a period of rising livestock supplies and declining live animal prices, would have the effect of increasing the percentage markup on a meatpackers' sales.

As a result of the dramatic increase in meatpackers' 1967 net income, their net income as a percentage of net assets

(also known as stockholders' equity) rose to 7.9 percent in 1967. Return on net assets, however, was higher in all other food manufacturing industries, ranging from 9.9 percent of net assets for the sugar industry to 15.0 percent in the baking industry.

In contrast to food manufacturers, the total net income of industries processing nonfood products of farm origin was 5 percent lower in 1967 than in 1966. This was almost entirely due to a 26 percent decline in net income of 67 textile firms. Textile firms' margin on sales dropped sharply from 4.8 percent in 1966 to 3.6 percent in 1967. Profits of textile mills were adversely affected by an inventory adjustment in 1967. Brewing, distilling, and tobacco manufacturing industries' net income increased in 1967, primarily as the result of higher sales.

Net income of 61 leading food chains declined about 5.7 percent in 1967. This was accompanied by a decline in their margin on sales from 1.3 percent in 1966 to 1.1 percent in 1967. While net income of food chains declined, the net income of 395 leading distribution firms increased in 1967.

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DIMENSIONS OF THE FOOD SERVICE INDUSTRY

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The food service industry is a major outlet for the food produced by our Nation's farms. It is a substantial market for food service equipment and many other supplies and services. It is also a major employer of labor.

Historically, the market for food away from home--the food service industry--has been viewed primarily as a part of the broad grocery market or an extension thereof. As a consequence, little research has been conducted to define this market's structure, measure its importance, and determine its requirements as a separate market for food products.

Recognition of the growing importance of this segment of the total food market is reflected in the cooperative effort of the food industry and the Department of Agriculture to study this market. Findings produced to date provide a basis for establishing its size and many-faceted character. 1/

Size of the Industry

Using figures now available from the first part of the study, and information reported by other sources, it was estimated that the retail value of food and non-alcoholic beverages consumed away from home in 1965 amounted to \$28 billion. The cost of the food purchased by the food service operators was almost \$13 billion. Although most food was purchased from wholesalers, some purchases were made at other levels of distribution, including retail food stores.

Of the estimated \$28 billion retail value of food moving through all food service outlets, \$6 billion was accounted for by food service operations that were not included in the Government-industry survey. The military services and elementary and secondary schools accounted for about 90 percent of this amount. Other food service outlets included in the \$6 billion figure were operated in conjunction with Federal hospitals, correctional institutions, commercial passenger carriers, and boarding houses.

Indicative of the industry's importance to the national economy is the vast number of persons working in eating places. During an average week, nearly 3.3 million persons (including part-time workers) worked in outlets of the types surveyed. In 1966, these workers handled over 100 million individual consumer transactions daily in the 371,000 public eating places and institutions that provided food service. Active owners working 15 hours or more weekly were included in this estimate, but it excludes persons performing duties at locations removed from the food service operation, such as, headquarters personnel of multi-unit food service operations.

Structure of the Industry

The food service industry comprises a highly diversified group of eating places serving an extremely complex consumer market. Differences exist among the establishments surveyed by kind of business, type of food service offered, and size of operation.

1/ The study on which this article is based was made by the Department's Economic Research Service in cooperation with the food industry. Industry's efforts were spearheaded by the Institutional Foodservice Manufacturers Association, the National Restaurant Association, and the National Association of Food Equipment Manufacturers. The survey's first part is concerned with the structure of the industry and economic and physical characteristics of establishments which comprise it. During the second part of the survey, detailed information is being gathered on the quantities of food received by product form, container size, and price. For other statistics from the first part of the survey, see Van Dress, Michael G., and William H. Freund. The Food Service Industry: Its Structure and Characteristics, 1966. Economic Research Service, USDA. Stat. Bull. No. 416, 370 pp., Feb. 1968.

Nearly 93 percent of these establishments were categorized as public eating places. The remainder consisted primarily of hospitals; rest homes; homes for children, the aged, the handicapped, or the mentally ill; and colleges and universities.

The retail value of food and non-alcoholic beverages served in establishments represented by the recent survey was estimated at about \$22 billion (table 5). Of this amount, public eating places accounted for \$18.5 billion. The proportion of relatively small establishments was higher among this group than among institutional establishments. As a result, the value of food served in public eating places averaged about \$54,000 a year per establishment, whereas institutions averaged \$123,000. Hospitals averaged \$245,000 a year, and colleges and universities, almost \$400,000.

When establishments were classified by size of business, the importance of the larger outlets was apparent. Fourteen percent of all establishments accounted for 59 percent of the retail value of food served; 30 percent accounted for 77 percent of the value.

Separate eating places--establishments whose primary function is the sale of food for onpremise or immediate consumption--comprised the largest segment of the industry. This segment had more outlets--almost 60 percent of public eating places--and accounted for a greater number of individual consumer transactions than any other kind of business. Separate eating places also had larger total dollar sales.

Among the kinds of businesses that offered food service to the public as a subordinate operation of the establishment were hotels, motels, and tourist courts; drug and proprietary stores; and separate drinking places.

Nearly 21 percent of the separate eating places had been operated by the same owner at the same location for less than 1 year, 44 percent for less than 3 years, and 56 percent for not more than 4 years. About 44 percent had been operated 5 years or more.

However, 62 percent or more of the eating places in retail stores; hotels, motels, or tourist courts; factories, plants, or mills; and civic, social, or fraternal association establishments had been in business at least 5 years at the same location.

About 87 percent of the public eating places surveyed were independently owned and had no affiliation with a franchise operation. Another 2 percent were independently owned but were associated with a franchise company; most of these were separate eating places. The remaining 11 percent of the public eating places were outlets of multi-unit enterprises.

About 80 percent of all separate eating places were located in cities, 10 percent in suburbs outside the city limits, and 10 percent in rural areas. The primary type of food service offered varied by establishment location. For example, nearly 88 percent of separate eating places primarily offering counter service or cafeteria service were located within city limits, compared with 73 percent of the establishments primarily offering drive-in service.

Changes and Growth of the Industry

Many changes appear to be in prospect for the food service industry. These include increases in the size of the industry and the types of food and service supplied to and demanded by the industry, and changes in the number of eating places, their size and location, and the services they supply.

An indication of the growth occurring in this industry is found in the sales performance of establishments that are primarily eating places. In 1965, this segment of the industry accounted for almost 50 percent of the total retail value of food consumed away from home. Census data show that sales of this segment (SIC 5812) of the food service industry rose over 58 percent between 1960 and 1966. In constant dollars (1957-59=100), the increase was nearly 36 percent. For the same period, grocery store sales (SIC 541)--excluding sales by delicatessens and sales of non-foods--rose substantially less. Food sales of these stores increased about 27 percent in current dollars and nearly 14 percent in constant dollars.

Table 5.--Public eating places and institutions with food service: Number of establishments and retail and purchase value of food and nonalcoholic beverages served, United States, selected periods 1/

Kind of business	Establishments <u>2/</u>	Retail value <u>3/</u>	Cost of food purchased <u>3/</u>
	<u>Number</u>	<u>Mil. dol.</u>	<u>Mil. dol.</u>
Public eating places:			
Separate eating places	201,734	12,733.9	5,585.5
Separate drinking places	51,646	1,034.6	483.2
Drug or proprietary stores	12,013	321.0	141.7
Retail stores	22,820	907.8	389.7
Hotels, motels, or tourist courts	16,558	1,628.0	720.0
Recreation or amusement places	19,411	737.5	328.5
Civic, social, or fraternal associations	4,355	193.6	76.1
Factories, plants, or mills	6,784	486.0	284.4
Other public eating places	8,429	499.0	207.4
Total	343,749	18,541.4	8,180.5
Institutional establishments:			
Hospitals	5,931	1,450.4	703.8
Sanatoria, convalescent, or rest homes	5,118	233.3	112.4
Homes for children, the aged, the handicapped, or the mentally ill	4,092	294.7	135.8
Colleges, universities, professional, or normal schools ..	2,766	1,100.2	504.0
Other institutions	9,738	320.5	144.8
Total	27,645	3,399.1	1,600.8
Grand total	371,394	21,940.5	9,781.3

1/ Data are projected estimates based on a national probability sample of food service outlets.

2/ As of August-September 1966.

3/ For latest accounting year, which for most establishments was calendar year 1965.

Factors which should influence continued growth in the market for food away from home are higher incomes, more working wives, increasing urbanization, population growth, and more favorable consumer attitudes toward eating out. Projections of income based on a full-employment economy show that income per person will continue to rise in the next 10 years.

The price and quality of foods eaten out, the availability of eating places in relation to population, and consumer acceptance of convenience foods for home use, are examples of some factors which could impede the growth of the market.

The price of food consumed away from home has been rising much faster than the price of food in grocery stores.

In addition, convenience foods are now becoming more commonplace in grocery stores. Food processors are continually searching for and finding ways to make foods more convenient, to improve their quality, and to make them available at more favorable prices to the homemaker. A continuation of these conditions could make eating out relatively less attractive to the consumer.

Factors such as income, the number of working wives, and urbanization are outside the influence of the food service industry except for the effects of industry employment on the national economy. However, factors such as the prices and quality of food eaten out, and availability of food service outlets are greatly influenced by decisions within the industry.

CONTRACT ARRANGEMENTS IN THE POULTRY INDUSTRY

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Increasingly large shares of poultry and eggs are being produced under some type of contractual arrangement. Latest estimates indicate that such arrangements cover production of 95 percent of the broilers, 50 to 60 percent of the turkeys, and probably more than 30 percent of the eggs produced. Risk-sharing is a general term used to describe the most common type of production contract used in the poultry industry. Under these contracts, key decisions about production and marketing are transferred to the contracting firm along with most of the risk. The grower typically provides buildings, labor, heat, and electricity, and the contractor furnishes feed, chicks or poults, and other inputs.

The returns to growers from a number of these risk-sharing contracts used in producing broilers, turkeys, and eggs were recently evaluated using simulated budgets. ^{1/} These returns were compared with returns to an independent grower under a variety of conditions. The procedure used and a summary of the results are presented in this article. Also included are some comments on problems not covered in the study but faced by growers and contractors in deciding on the production arrangement best suited to their situation.

Contract Evaluation

Costs budgets were constructed to evaluate hypothetical returns to growers producing under contract and growers operating independently. The budgets were based on respective annual productions of 100,000 broilers, 10,000 turkeys, or eggs from 10,000 layers. Feed conversion and other physical conversions used in constructing the budgets were intended to reflect the management of an above-average grower. Prices of inputs used in the budgets were selected to

reflect the prices growers would probably be charged under the various production arrangements. The budgets were fixed, regardless of the area of production or seasonal variations in quantities or prices of inputs used. In all comparisons of the independent grower with the contract growers, feed was priced \$5 a ton lower to the independent. An average of product prices for 1964-66 was used to calculate returns.

Broiler Contracts

Most broiler contracts now in use have minimum guarantees and bonus clauses based on feed-conversion rates or a ranking of the grower's prime production costs with the prime costs of other growers associated with the same contractor. Feed-conversion rate is the amount of feed required to produce a pound of broiler and is a commonly used measure of efficiency. Prime costs refer to inputs furnished by the contractor, such as feed and the chicks.

Five broiler contracts were analyzed. The payment plans of three contracts were based on prime production costs. The fourth contract had a payment plan based on feed conversion and the fifth on feed conversion and body weight.

One contract with the payment based on prime production costs guaranteed the grower \$50 per 1,000 broilers started, with payment above this minimum depending on the grower's production costs in relation to the average production costs of all growers settling with the contractor during the 2 weeks prior to settlement. Another paid from 1½ to 2¼ cents a pound for broilers produced with the actual payment based on the relationship of each grower's production costs to the lowest production costs reported among the contractor's other growers. The third contract in this group paid 2 cents a pound for the finished broilers, plus or minus the full

^{1/} William W. Gallimore and James G. Vertrees, A Comparison of Returns to Poultry Growers--Under Contract--Operating Independently, Economic Research Service, USDA, MRR-814.

amount that production cost was below or above the average production costs for all growers. However, there was a minimum guarantee of $1\frac{1}{2}$ cents a pound.

Under a given set of assumptions, there was a wide variation in the net returns to growers' labor and management, ranging from \$1,295 to \$4,815 for 100,000 broilers. Returns to the independent grower were \$1,008 or less than any of the 5 contracts. However, when higher broiler prices and lower feed prices were used in the cost budgets, the independent grower in some cases would receive returns comparable or higher than the contract growers. A change in feed conversion rates had an effect on grower net returns in all the contracts evaluated and for the independent grower.

Broiler prices have been trending downward in recent years. The increasing risk and uncertainty associated with variable and generally declining broiler prices have been important factors in the increased use of broiler contracts.

Turkey Contracts

Contracts where most of the risk is assumed by the contractor account for about half of the 50 to 60 percent of turkeys produced under some type of contractual arrangement. The other contracts in use are financing and marketing contracts, which do not involve sharing of risk by the contractor.

Profit-sharing contracts were the earliest type of risk-sharing contract. However, most profit-sharing contracts have been changed to include a minimum guarantee to the grower. The newest risk-sharing contracts have a minimum guarantee with a bonus clause based on feed conversion, mortality, or the cost of production items furnished by the contractor, but they do not provide for profit sharing.

Five turkey contracts were evaluated. One guaranteed the grower $1\frac{1}{2}$ cents a pound plus 50 percent of the net profit after the guarantee and other costs of inputs furnished by the contractor were deducted from gross returns. Another contract guaranteed the grower 2 cents a pound live weight for the turkeys passing USDA

inspection. Payment under another contract was based on the cost of production. If there was no loss on the turkey growing operation, the grower would receive 5 percent of the gross sales plus 70 percent of net profit after the 5 percent of gross sales was subtracted by the contractor as an expense. If there was a loss, the grower would receive from 2 to 5 percent of the gross sale depending on the amount of the loss. One strictly profit-sharing contract was evaluated. Under the terms of this contract, the grower received 80 percent of the net profit remaining after inputs furnished by the contractor were deducted from gross returns. The fifth contract evaluated paid the grower 2 to 3 cents a pound depending on the feed conversion.

Returns to the grower for 10,000 turkeys produced under similar conditions ranged from \$1,614 to \$3,138 under the contracts evaluated. Because of the profit-sharing clauses in the payment plans, net returns under turkey contracts were more responsive to changes in feed and turkey prices than were returns under the broiler contracts.

At the 1964-66 average farm price for turkeys (22 cents a pound), and with all inputs except feed priced the same under all production arrangements, the independent turkey grower would have received greater net returns than any contract grower until the price of feed increased to between \$85 and \$90 a ton. Increasing feed prices and declining turkey prices increase the attractiveness of contracts not tied to profit-sharing payments. The 1967 live-weight price of turkeys was about 20 cents a pound, and at this price the contracts would have offered higher returns than an independent grower would have received at all but the lowest feed price considered (\$75 a ton). A continued decline in turkey prices would provide additional incentives for more contract production.

Egg Contracts

Contracts where most of the risk is assumed by the contractor have not been used in the table-egg industry to the extent they have in either the broiler or turkey industry. However, these contracts

are used extensively in the South, where there has been a considerable increase in production in recent years. The earlier risk-sharing contracts guaranteed a specified price per dozen, but over time the contracts have been changed so that most have a guaranteed payment per dozen with an incentive bonus based on feed conversion. In some contracts, the payment is related to the market price of eggs. In one recent type of egg contract, gross receipts are divided according to the relative value of the inputs furnished. Egg contracts tend to include more factors in determining the payments than either the broiler or turkey contracts.

Four different table-egg contracts were evaluated. One was a contract with a division of gross receipts according to the relative costs of the inputs furnished by each party. There was one with a guarantee of 5 cents a dozen for all Grade A large and above and 4 cents a dozen for Grade A medium and small, with a bonus of up to 10 cents a hen depending on feed conversion. Another paid 5 cents a dozen for all A and AA, with a bonus of up to 1.75 cents a dozen depending on feed conversion and rate of lay. The other contract evaluated paid from 3 to 7 cents a dozen depending on the market price of eggs, with an additional bonus of up to 15 cents a hen depending on feed conversion and rate of lay.

Net returns per year to the grower for 10,000 layers ranged from \$2,454 to \$4,303 when production conditions were held the same for all contracts. Eggs were priced at 31 cents a dozen, the 1964-66 average.

Varying the feed-conversion rate affected growers' returns in most of the contracts because the contracts had a bonus clause based on feed conversion or a payment based on gross receipts that would be affected by the feed-conversion rate. As in the case of broilers and turkeys, contract growers' returns were higher than the independent grower's when egg prices were low or feed prices high. However, varying the feed prices affected net returns in only one egg contract. Thus, the price received for eggs is more

important to most contract egg producers than the price of feed.

Grower Decisions

Any analysis of net return to growers under different production arrangements must be interpreted within the broader economic framework affecting grower decisions. For certain types of production arrangements market outlets may not be available. For example, the market for non-contract broilers is very limited. In some areas, there may not be a market for turkeys other than through some contractual arrangement.

The availability of alternative contractors and different type contracts may be limited for a particular grower. If few or no alternative arrangements exist, the grower must operate within these constraints. Given a number of alternative arrangements, a grower should analyze them from his own operative standpoint. In many instances, the complexity of payment plans and the lack of clarity in the wording of contracts make analysis of returns to growers difficult.

A grower's perception of contractors' attitudes regarding his shopping around for contracts may restrict his choice. He may feel that contractors do not approve of shopping around for contracts. The whole area of grower-processor relations and communications affects grower and contractor decisions. Both parties need assurance of stability in order to formulate long-range plans.

When growers compare net returns from different production arrangements they should consider expected returns over a longer period of time than one contract. Researchers at the University of California at Berkeley are currently working on a method of including risk in evaluating returns to turkey growers.

In analyzing returns to labor and management under different production arrangements, certain assumptions were made. In all cases it was assumed that the grower would have or could secure all the necessary production inputs. This may not be true. If capital is a limiting factor, a grower may be interested in maximizing net income for a given amount of capital rather than

maximizing income to labor and management. For example, under one set of assumptions the net returns to an independent producer raising 10,000 turkeys would have been \$3,903, compared to \$1,849 net returns under the best contract. However, the independent grower would need \$32,986 to finance the purchase of variable inputs, while only \$2,120 would be required for contract production. If a grower has limited capital, the choice may not be of selecting from all the production arrangements, but rather from those where he is able to meet the capital requirements. Even if a grower had the necessary capital, he might prefer to accept lower per unit net return to labor and management under contract production in order to expand total production and thus increase total net return.

Contractor Decisions

To complete the picture of contract arrangements, contractor decisions should also be considered. First, contractors must decide what type of contract they will offer. This would involve determination of the payment plan and the inputs

furnished by the contractor and consideration of such things as helping the grower secure additional credit. For example, the contractor may co-sign notes or provide the local bank with information on the growers past performance and present standing with the company. For growers who are building new facilities or expanding in other ways, this ability to secure credit with the help of the contractor may be a more important factor influencing their choice of production arrangements than the expected returns.

Contractors also have the choice of producing all or part of their poultry requirements on farms owned or leased by them. One reason they may choose to own their own farms would be to take care of any surplus poultts or chicks they might not be able to place or to enable better scheduling to processing plants. On the other hand, capital requirements of the contractor are much greater when he produces his own needs. More important in the long run is whether poultry can be produced at less cost on company-owned farms with hired labor than through contract production.

CORRECTION

The following data are corrections for selected items in three tables in "The Changing Input Structure of Selected Food Processing Industries: Agriculture's Declining Share." MTS-168, February 1968.

Table 12, p. 25

(1947=100)	
Item and year	Industry
	Bakery products
Fringe benefits:	
1963	194

Table 13, p. 28

Industry and input	1963
	<u>Percent</u>
Bakery products industry:	
Adjusted cost of goods sold	70.1
Advertising	2.1
Depreciation	2.4
Production workers' wages	5.6
Nonproduction workers' wages	14.8
Compensation of officers	1.0
Fringe benefits	1.9
State-local taxes	2.1
Total	100.0

Table 14, p. 30

Year	Reported fringe benefits
	<u>Thousand dollars</u>
Bakery products industry:	
1961	151,504
1962	168,901
1963	153,232
1964	169,593
1965	176,017
1966	182,449

SELECTED NEW PUBLICATIONS

1. "A Comparison of Returns to Poultry Growers--Under Contract--Operating Independently," by William W. Gallimore and James G. Vertrees, U.S. Dept. of Agr., Econ. Res. Ser., MRR-814, Feb. 1968.
2. "An Inventory of Market News Reports for Poultry," by Fred L. Faber and Dennis E. Stringer, U.S. Dept. Agr., Econ. Res. Ser. and Cons. Mktg. Ser., ERS-374, Apr. 1968.
3. "Horticultural Specialty Crops--Production and Marketing Trends, 1948-65," by Jules V. Powell, Stephen M. Raleigh, and Dorothy M. Lundquist, U.S. Dept. Agr., Econ. Res. Ser., Stat. Bull.-422, Apr. 1968.
4. "Structure of Six Farm Input Industries: Petroleum, Farm Machinery and Equipment, Fertilizers, Chemical Pesticides, Livestock Feeds, Farm Credit," by Farm Production Economics Division, U.S. Dept. Agr., Econ. Res. Ser., ERS-357, Jan. 1968.
5. "The Changing Structure of the Philadelphia Wholesale Fruit and Vegetable Market," by Alfred J. Burns, U.S. Dept. Agr., Econ. Res. Ser., MRR-816, Apr. 1968.
6. "The Food Service Industry: Its Structure and Characteristics, 1966," by Michael G. Van Dress and William H. Freund, U.S. Dept. Agr., Econ. Res. Ser., Stat. Bull.-416, Feb. 1968.
7. "Utilization of the South's Vegetable Processing Capacity," by James L. Pearson, Fla. Agr. Expt. Sta., Agr. Econ. Res. Rpt. EC 68-6, Jan. 1968. (In cooperation with U.S. Dept. Agr., Econ. Res. Ser.) Florida Agr. Expt. Sta., Dept. of Agr. Econ., Gainesville, Fla.

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Table 6.--Farm food products: Retail cost, farm value of equivalent quantities sold by producers, byproduct allowance, farm-retail spread, and farmer's share of retail cost, January-March 1968

Product 1/	Farm product equivalent	Retail unit	Retail cost	Gross farm value	Byproduct allowance	Net farm value 2/	Farm-retail spread	Farmer's share
			Dollars	Dollars	Dollars	Dollars	Dollars	Percent
Market basket			1,100.93	---	---	423.70	677.23	38
Meat products			320.36	---	---	165.84	154.51	52
Dairy products			198.72	---	---	94.65	104.07	48
Poultry and eggs			81.80	---	---	43.11	38.69	53
Bakery and cereal products 3/								
All ingredients	Farm produce equivalent to products bought per urban wage-earner and clerical-worker household in 1960-61	Average quantities purchased per urban wage-earner and clerical-worker household in 1960-61	169.00	---	---	34.02	134.98	20
Grain			---	31.90	5.44	26.46	---	16
All fruits and vegetables			244.03	---	---	66.18	177.85	27
Fresh fruits and vegetables			122.63	---	---	42.68	79.95	35
Fresh fruits			49.20	---	---	17.45	31.75	35
Fresh vegetables			73.43	---	---	25.23	48.20	34
Processed fruits and vegetables			121.40	---	---	23.50	97.90	19
Fats and oils			38.23	27.75	17.18	10.57	27.66	28
Miscellaneous products			48.79	---	---	9.33	39.46	19
			Cents	Cents	Cents	Cents	Cents	Percent
Beef, Choice grade	2.25 lb. Choice grade cattle	Pound	86.4	56.1	4.7	51.4	35.0	59
Lamb, Choice grade	2.35 lb. lamb	Pound	90.4	54.6	6.3	48.3	42.1	53
Pork	2.00 lb. hogs	Pound	66.1	36.7	4.3	32.4	33.7	49
Butter	Cream and whole milk	Pound	83.4	93.0	32.1	60.9	22.5	73
Cheese, American process	Milk for American cheese	1/2 pound	43.7	19.7	.8	18.9	24.8	43
Ice cream	Cream, milk, and sugar	1/2 gallon	80.5	---	---	25.8	54.7	32
Milk, evaporated	Milk for evaporating	1 1/2-ounce can	16.8	8.2	.2	8.0	8.8	48
Milk, fresh								
Home delivered	4.39 lb. Class I milk	1/2 gallon	58.8	---	---	26.0	32.8	44
Sold in stores	4.39 lb. Class I milk	1/2 gallon	52.7	---	---	26.0	26.7	49
Chickens, frying, ready-to-cook	1.37 lb. broiler	Pound	39.2	---	---	19.5	19.7	50
Eggs, Grade A large	1.03 dozen	Dozen	48.2	---	---	27.4	20.8	57
Bread, white								
All ingredients	Wheat and other ingredients	Pound	22.1	---	---	3.3	18.8	15
Wheat .....	.877 lb. wheat	Pound	---	3.1	.4	2.7	---	12
Bread, whole or cracked wheat .....	.708 lb. wheat	Pound	29.6	---	---	3.2	26.4	11
Cookies, sandwich .....	.528 lb. wheat	Pound	50.8	---	---	4.5	46.3	9
Corn flakes	2.87 lb. yellow corn	12 ounces	31.3	4/5.6	4/3.2	4/2.4	28.9	8
Flour, white	6.8 lb. wheat	5 pounds	58.9	---	---	21.6	37.3	37
Apples	1.04 lb. apples	Pound	21.2	---	---	8.1	13.1	38
Grapefruit	1.03 grapefruit	Each	14.0	---	---	3.5	10.5	25
Lemons	1.04 lb. lemons	Pound	27.3	---	---	8.8	18.5	32
Oranges	1.03 doz. oranges	Dozen	91.6	---	---	25.3	66.3	28
Cabbage	1.08 lb. cabbage	Pound	12.5	---	---	4.0	8.5	32
Carrots	1.03 lb. carrots	Pound	25.3	---	---	10.7	14.6	42
Celery	1.08 lb. celery	Pound	17.6	---	---	5.5	12.1	31
Cucumbers	1.09 lb. cucumbers	Pound	32.1	---	---	15.0	17.1	47
Lettuce	1.88 lb. lettuce	Head	26.9	---	---	9.7	17.2	36
Onions	1.06 lb. onions	Pound	14.1	---	---	6.5	7.6	46
Peppers, green	1.02 lb. peppers	Pound	41.5	---	---	13.5	28.0	33
Potatoes	10.42 lb. potatoes	10 pounds	68.5	---	---	16.3	52.2	24
Spinach .....	.71 lb. spinach	10 ounces	31.3	---	---	8.6	22.7	27
Tomatoes	1.18 lb. tomatoes	Pound	42.5	---	---	16.9	25.6	40
Peaches, canned	1.60 lb. Calif. cling peaches	No. 2 1/2 can	34.4	---	---	6.7	27.7	19
Pears, canned	1.85 lb. pears for canning	No. 2 1/2 can	53.5	---	---	13.9	39.6	26
Beets, canned	1.24 lb. beets for canning	No. 303 can	18.2	---	---	1.3	16.9	7
Corn, canned	2.495 lb. sweet corn	No. 303 can	24.1	---	---	2.9	21.2	12
Peas, canned .....	.69 lb. peas for canning	No. 303 can	25.0	---	---	3.8	21.2	15
Tomatoes, canned	1.84 lb. tomatoes for canning	No. 303 can	20.4	---	---	3.9	16.5	19
Orange juice, concentrate, frozen ..	3.17 lb. oranges	6-ounce can	19.8	---	---	6.7	13.1	34
French fried potatoes, frozen	1.38 lb. potatoes	9 ounces	15.2	---	---	2.0	13.2	13
Peas, frozen .....	.70 lb. peas for freezing	10 ounces	20.8	---	---	3.7	17.1	18
Beans, navy	1.00 lb. Mich. dry beans	Pound	19.4	---	---	8.6	10.8	44
Margarine	Soybeans, cottonseed, and milk	Pound	28.2	20.3	12.9	7.4	20.8	26
Peanut butter	1.33 lb. peanuts	12-ounce jar	43.8	---	---	15.1	28.7	34
Salad and cooking oil	Soybeans, cottonseed, and corn	24-ounce bottle	53.2	44.0	31.6	12.4	40.8	23
Vegetable shortening	Soybeans and cottonseed	3 pounds	84.5	71.7	45.5	26.2	58.3	31
Sugar	Sugar beets and cane	5 pounds	60.7	25.3	1.5	5/23.8	5/36.9	5/39
Spaghetti with sauce, canned	Wheat, tomatoes, cheese, sugar	15 1/2-ounce can	16.7	---	---	2.2	14.5	13

1/ Product groups include more items than those listed in this table. For example, in addition to the products listed--Choice beef, lamb, and pork (major products except lard)--the meat products group includes lower grades of beef, the minor edible pork products, and veal.

2/ Gross farm value adjusted to exclude imputed values of byproducts obtained in processing.

3/ For the bakery products group and the individual wheat products, gross farm value, byproduct allowance, net farm value, and farmer's share are based on the market price of wheat received by farmers plus the cost of the marketing certificate to millers. This cost is returned to farmers complying with the Wheat Program.

4/ Based on market price of corn received by farmers; no allowance made for price support payment received by farmers who comply with the Federal Feed Grain Program.

5/ Net farm value adjusted for Government payments to producers was 27.7 cents, farm-retail spread adjusted for Government processor tax was 34.2 cents, farmer's share of retail cost based on adjusted farm value was 46 percent.

Table 7.--Farm food products: Retail cost and farm value, January-March 1968, October-December 1967, January-March 1967 and 1957-59 average

Product 1/	Retail unit	Retail cost						Net farm value 2/					
		January-October-		January-1957-59		Percentage change:		January-October-		January-1957-59		Percentage change	
		March	December	March	average	Jan.-Mar. 1968	from-	March	December	March	average	Jan.-Mar. 1968	from-
		1968	1967	1967	3/	Oct. - Dec. 1967	Jan. - Mar. 1967	1968	1967	1967	3/	Oct. - Dec. 1967	Jan. - Mar. 1967
		Dollars	Dollars	Dollars	Dollars	Percent	Percent	Dollars	Dollars	Dollars	Dollars	Percent	Percent
Market basket		1,100.93 ^{3/}	1,083.20	1,075.61	982.65	2	2	423.70	405.61	414.04	387.87	4	2
Meat products		320.36	320.42	313.61	285.05	4/	2	165.84	160.98	160.67	154.47	3	3
Dairy products		198.72	2/197.17	195.17	173.33	1	2	94.65	94.23	92.80	77.85	4/	2
Poultry and eggs		81.80	79.96	85.26	93.02	2	-4	43.11	39.86	48.87	56.28	8	-12
Bakery and cereal products 5/													
All ingredients	Average quantities purchased per urban wage-earner and	169.00	2/168.93	169.41	148.40	4/	4/	34.02	33.49	36.34	30.55	2	-6
Grain	clerical-worker	---	---	---	---	---	---	26.46	25.99	27.99	23.40	2	-5
All fruits and vegetables	household	244.03	229.68	224.71	202.96	6	9	66.18	3/57.68	54.70	50.05	15	21
Fresh fruits and vegetables	in	122.63	111.16	108.66	91.15	10	13	42.68	3/35.50	33.43	28.70	20	28
Fresh fruits	1960-61	49.20	45.41	41.00	36.26	8	20	17.45	3/14.90	11.53	12.26	17	51
Fresh vegetables		73.43	65.75	67.66	54.89	12	9	25.23	20.60	21.90	16.44	23	15
Processed fruits and vegetables		121.40	118.52	116.05	111.81	2	5	23.50	3/22.18	21.27	21.35	6	10
Fats and oils		38.23	38.38	39.46	37.56	4/	-3	10.57	3/10.15	11.62	11.19	4	-9
Miscellaneous products		48.79	48.66	47.99	42.33	4/	2	9.33	9.22	9.04	7.48	1	3
		Cents	Cents	Cents	Cents	Percent	Percent	Cents	Cents	Cents	Cents	Percent	Percent
Beef, Choice grade	Pound	86.4	86.0	82.9	78.1	4/	4	51.4	49.7	48.0	48.3	3	7
Lamb, Choice grade	Pound	90.4	89.9	83.6	70.0	1	8	48.3	46.6	42.6	40.2	4	13
Pork	Pound	66.1	66.5	66.7	60.5	-1	-1	32.4	31.9	33.3	31.0	2	-3
Butter	Pound	83.4	83.2	83.4	73.2	4/	0	60.9	60.8	60.7	52.6	4/	4/
Cheese, American process	1/2 pound	43.7	43.5	43.9	32.3	4/	4/	18.9	18.6	18.9	14.2	2	0
Ice cream	1/2 gallon	80.5	80.2	81.7	84.2	4/	-1	25.8	25.6	25.9	23.4	1	4/
Milk, evaporated	1 1/2-ounce can	16.8	16.8	17.0	14.5	0	-1	8.0	7.8	8.0	6.2	3	0
Milk, fresh													
Home delivered	1/2 gallon	58.8	3/57.7	56.1	50.8	2	5	26.0	26.0	25.2	21.9	0	3
Sold in stores	1/2 gallon	52.7	52.4	51.2	46.6	1	3	26.0	26.0	25.2	21.9	0	3
Chickens, frying, ready-to-cook ..	Pound	39.2	37.2	38.1	43.5	5	3	19.5	16.1	19.9	24.4	21	-2
Eggs, Grade A large	Dozen	48.2	48.4	54.0	56.2	4/	-11	27.4	27.8	34.2	36.1	-1	-20
Bread, white													
All ingredients	Pound	22.1	22.2	22.4	18.5	4/	-1	3.3	3.3	3.5	3.0	0	-6
Wheat	Pound	---	---	---	---	---	---	2.7	2.6	2.9	2.4	4	-7
Bread, whole or cracked wheat ..	Pound	29.6	29.8	29.5	---	-1	4/	3.2	3.2	3.4	---	0	-6
Cookies, sandwich	Pound	50.8	51.6	51.6	---	-2	4/	4.5	4.4	4.6	---	2	-2
Corn flakes	12 ounces	31.3	31.3	31.1	24.5	0	1	2.4	2.3	2.9	2.4	4	-17
Flour, white	5 pounds	58.9	59.1	60.0	53.3	4/	-2	21.6	21.3	22.8	18.8	1	-5
Apples	Pound	21.2	18.7	18.6	16.1	13	14	8.1	7.0	6.3	4.7	16	29
Grapefruit	Each	14.0	14.2	11.7	10.7	-1	20	3.5	3.3	1.9	2.7	6	84
Lemons	Pound	27.3	26.5	24.4	18.4	3	12	8.8	8.2	6.4	4.2	7	38
Oranges	Dozen	91.6	86.6	71.1	66.0	6	29	25.3	21.1	13.0	23.2	20	95
Cabbage	Pound	12.5	9.8	12.3	8.7	28	2	4.0	2.6	3.9	2.4	54	3
Carrots	Pound	25.3	18.4	14.8	14.5	38	71	10.7	8.3	4.2	3.7	29	155
Celery	Pound	17.6	17.3	14.6	15.3	2	21	5.5	5.5	4.0	4.4	0	38
Cucumbers	Pound	32.1	21.1	29.0	---	52	11	15.0	6.3	12.6	---	138	19
Lettuce	Head	26.9	27.3	23.3	22.6	-1	15	9.7	9.3	6.8	6.0	4	43
Onions	Pound	14.1	12.8	14.5	10.1	10	-3	6.5	4.3	6.5	3.4	51	0
Peppers, green	Pound	41.5	37.1	37.8	---	12	10	13.5	15.4	13.6	---	-12	-1
Potatoes	10 pounds	68.5	69.5	75.4	58.3	-1	-9	16.3	17.5	23.1	17.8	-7	-29
Spinach	10 ounces	31.3	30.1	29.7	---	4	5	8.6	7.1	8.3	---	21	4
Tomatoes	Pound	42.5	31.7	36.6	30.1	34	16	16.9	9.7	11.5	10.6	74	47
Peaches, canned	No. 2 1/2 can	34.4	32.9	31.3	34.3	5	10	6.7	6.7	5.5	6.1	0	22
Pears, canned	No. 2 1/2 can	53.5	50.4	43.0	---	6	24	13.9	13.9	7.2	---	0	93
Beets, canned	No. 303 can	18.2	18.1	17.4	---	1	5	1.3	1.3	1.2	---	0	8
Corn, canned	No. 303 can	24.1	23.6	22.4	17.8	2	8	2.9	2.9	2.7	2.4	0	7
Peas, canned	No. 303 can	25.0	25.0	24.8	21.0	0	1	3.8	3.8	3.7	3.1	0	3
Tomatoes, canned	No. 303 can	20.4	20.2	18.9	15.6	1	8	3.9	3.9	3.3	2.3	0	18
Orange juice, concentrate, frozen	6-ounce can	19.8	18.3	20.1	23.4	8	-1	6.7	4.5	6.4	8.2	49	5
French fried potatoes, frozen ..	9 ounces	15.2	15.0	15.2	---	1	0	2.0	2.2	2.4	---	-9	-17
Peas, frozen	10 ounces	20.8	20.5	20.6	19.9	1	1	3.7	3.7	3.4	3.2	0	9
Beans, navy	Pound	19.4	18.8	18.1	16.3	3	7	8.6	8.3	6.2	6.9	4	39
Margarine	Pound	28.2	28.1	28.8	27.4	4/	-2	7.4	7.1	8.3	7.8	4	-11
Peanut butter	12-ounce jar	43.8	43.9	44.4	41.4	4/	-1	15.1	15.1	15.3	14.1	0	-1
Salad and cooking oil	24-ounce bottle	53.2	53.4	55.2	---	4/	-4	12.4	11.6	13.8	---	7	-10
Vegetable shortening	3 pounds	84.5	85.8	89.4	90.4	-2	-5	26.2	3/25.0	29.3	28.2	5	-11
Sugar	5 pounds	60.7	60.9	60.5	54.5	4/	4/	23.8	23.3	22.9	20.2	2	4
Spaghetti with sauce, canned ..	15 1/2-ounce can	16.7	16.6	16.1	---	1	4/	2.2	2.2	2.1	---	0	5

1/ Product groups include more items than those listed in this table. For example, in addition to the products listed--Choice beef, lamb, and pork (major products except lard)--the meat products group includes lower grades of beef, the minor edible pork products, and veal.

2/ Gross farm value adjusted to exclude imputed value of byproducts obtained in processing.

3/ Many retail cost and farm value figures for January-March 1967 have been revised; figures in other columns revised as indicated.

4/ Less than 0.5 percent.

5/ For the bakery products group and the individual wheat products, the net farm value is based on the market price of wheat received by farmers plus the cost of the marketing certificate to millers. The cost is returned to farmers complying with the Wheat Program.

Table 8.--Farm food products: Farm-retail spread and farmer's share of the retail cost, January-March 1968, October-December 1967, January-March 1967 and 1957-59 average

Product 1/	Retail unit	Farm-retail spread 2/				Percentage change		Farmer's share			
		January-March 1968	October-December 1967	January-March 1967 3/	1957-59 average	January-March 1968 from-	October-December 1967	January-March 1968	October-December 1967	January-March 1967 3/	1957-59 average
		Dollars	Dollars	Dollars	Dollars	Percent	Percent	Percent	Percent	Percent	Percent
Market basket		677.23	3/677.59	661.57	594.78	4/	2	38	37	38	39
Meat products		154.52	159.44	152.94	130.58	-3	1	52	50	51	54
Dairy products	Average quantities purchased per urban wage-earner and clerical-worker household in 1960-61	104.07	3/102.94	102.37	95.48	1	2	48	48	48	45
Poultry and eggs		38.69	40.10	36.39	36.74	-4	6	53	50	57	61
Bakery and cereal products 5/											
All ingredients		134.98	3/135.44	133.07	117.85	4/	1	20	20	21	21
Grain		---	---	---	---	---	---	16	15	17	16
All fruits and vegetables		177.85	3/172.00	170.01	152.91	3	5	27	25	24	25
Fresh fruits and vegetables		79.95	3/75.66	75.23	62.45	6	6	35	32	31	31
Fresh fruits		31.75	3/30.51	29.47	24.00	4	8	35	33	28	34
Fresh vegetables		48.20	3/45.15	45.76	38.45	7	5	34	31	32	30
Processed fruits and vegetables		97.90	3/96.34	94.78	90.46	2	3	19	19	18	19
Fats and oils		27.66	3/28.23	27.84	26.37	-2	-1	28	26	29	30
Miscellaneous products		39.46	39.44	38.95	34.85	4/	1	19	19	19	18
		Cents	Cents	Cents	Cents	Percent	Percent	Percent	Percent	Percent	Percent
Beef, Choice grade	Pound	35.0	36.3	34.9	29.8	-4	4/	59	58	58	62
Lamb, Choice grade	Pound	42.1	43.3	41.0	29.8	-3	3	53	52	51	57
Pork	Pound	33.7	34.6	33.4	29.5	-3	1	49	48	50	51
Butter	Pound	22.5	22.4	22.7	20.6	4/	-1	73	73	73	72
Cheese, American process	1/2 pound	24.8	24.9	25.0	18.1	1/	-1	43	43	43	44
Ice cream	1/2 gallon	54.7	54.6	55.8	60.8	1/	-2	32	32	32	28
Milk, evaporated	14 1/2-ounce can	8.8	9.0	9.0	8.3	-2	-2	48	46	47	43
Milk, fresh											
Home delivered	1/2 gallon	32.8	3/31.7	30.9	28.9	3	6	44	45	45	43
Sold in stores	1/2 gallon	26.7	26.4	26.0	24.7	1	3	49	50	49	47
Chickens, frying, ready-to-cook ..	Pound	19.7	21.1	18.2	19.1	-7	8	50	43	52	56
Eggs, Grade A large	Dozen	20.8	20.6	19.8	20.1	1	5	57	57	63	64
Bread, white											
All ingredients	Pound	18.8	18.9	18.9	15.5	-1	-1	15	15	16	16
Wheat	Pound	---	---	---	---	---	---	12	12	13	13
Bread, whole or cracked wheat ..	Pound	26.4	26.6	26.1	---	-1	1	11	11	12	---
Cookies, sandwich	Pound	46.3	47.2	47.0	---	-2	-1	9	9	9	---
Corn flakes	12 ounces	28.9	29.0	28.2	22.1	4/	8	7	7	9	10
Flour, white	5 pounds	37.3	37.8	37.2	34.5	-1	4/	37	36	38	35
Apples	Pound	13.1	11.7	12.3	11.4	12	7	38	37	34	29
Grapefruit	Each	10.5	10.9	9.8	8.0	-4	7	25	23	16	25
Lemons	Pound	18.5	18.3	18.0	14.2	1	3	32	31	26	23
Oranges	Dozen	66.3	65.5	58.1	42.8	1	14	28	24	18	35
Cabbage	Pound	8.5	7.2	8.4	6.3	18	1	32	27	32	28
Carrots	Pound	14.6	10.1	10.6	10.8	45	38	42	45	28	26
Celery	Pound	12.1	11.8	10.6	10.9	3	14	31	32	27	29
Cucumbers	Pound	17.1	14.8	16.4	---	16	4	47	30	43	---
Lettuce	Head	17.2	18.0	16.5	16.6	-4	4	36	34	29	27
Onions	Pound	7.6	8.5	8.0	6.7	-11	-5	46	34	45	34
Peppers, green	Pound	28.0	21.7	24.2	---	29	16	33	42	36	---
Potatoes	10 pounds	52.2	52.0	52.3	40.5	4/	4/	24	25	31	31
Spinach	10 ounces	22.7	23.0	21.4	---	-1	1	27	24	28	---
Tomatoes	Pound	25.6	22.0	25.1	19.5	16	2	40	31	31	35
Peaches, canned	No. 2 1/2 can	27.7	26.2	25.8	28.2	6	7	19	20	18	18
Pears, canned	No. 2 1/2 can	39.6	36.5	35.8	---	8	11	26	28	17	---
Beets, canned	No. 303 can	16.9	16.8	16.2	---	1	4	7	7	7	---
Corn, canned	No. 303 can	21.2	20.7	19.7	15.4	2	8	12	12	12	13
Peas, canned	No. 303 can	21.2	21.2	21.1	17.9	0	4/	15	15	15	15
Tomatoes, canned	No. 303 can	16.5	16.3	15.6	13.3	1	6	19	19	17	15
Orange juice, concentrate, frozen	6-ounce can	13.1	13.8	13.7	15.2	-5	-4	34	25	32	35
French fried potatoes, frozen	9 ounces	13.2	12.8	12.8	---	3	3	13	15	16	---
Peas, frozen	10 ounces	17.1	16.8	17.2	16.7	2	-1	18	18	17	16
Beans, navy	Pound	10.8	10.5	11.9	9.4	3	-9	44	44	34	42
Margarine	Pound	20.8	3/21.0	20.5	19.6	-1	1	26	25	29	28
Peanut butter	12-ounce jar	28.7	28.8	29.1	27.3	4/	-1	34	34	34	34
Salad and cooking oil	24-ounce bottle	40.8	41.8	41.4	---	-2	-1	23	22	25	---
Vegetable shortening	3 pounds	58.3	3/60.8	60.1	62.2	-4	-3	31	29	33	31
Sugar	5 pounds	36.9	37.6	37.6	34.3	-2	-2	39	38	38	37
Spaghetti with sauce, canned	15 1/2-ounce can	14.5	14.4	14.0	---	1	4	13	13	13	---

1/ Product groups include more items than those listed in this table. For example, in addition to the products listed--Choice beef, lamb, and pork (major products except lard)--the meat products group includes lower grades of beef, the minor edible pork products, and veal.

2/ The farm-retail spread is the difference between the retail cost and the net farm value shown in table on opposite page.

3/ Many farm-retail spread figures and farmer's share figures for January-March 1967 have been revised; figures in other columns revised as indicated.

4/ Less than 0.5 percent.

5/ For the bakery products group and the individual wheat products, the farmer's share is based on the market price of wheat received by farmers plus the cost of the marketing certificate to millers. The cost is returned to farmers complying with the Wheat Program.

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